

D55P00
Department of Veterans Affairs

Operating Budget Data

(\$ in Thousands)

	<u>FY 12 Actual</u>	<u>FY 13 Working</u>	<u>FY 14 Allowance</u>	<u>FY 13-14 Change</u>	<u>% Change Prior Year</u>
General Fund	\$7,827	\$6,731	\$6,886	\$155	2.3%
Contingent & Back of Bill Reductions	0	0	-6	-6	
Adjusted General Fund	\$7,827	\$6,731	\$6,881	\$150	2.2%
Special Fund	711	806	796	-10	-1.2%
Adjusted Special Fund	\$711	\$806	\$796	-\$10	-1.2%
Federal Fund	11,503	14,555	13,486	-1,069	-7.3%
Contingent & Back of Bill Reductions	0	0	-1	-1	
Adjusted Federal Fund	\$11,503	\$14,555	\$13,485	-\$1,070	-7.4%
Adjusted Grand Total	\$20,042	\$22,092	\$21,161	-\$931	-4.2%

- The Governor's allowance includes a \$540,000 deficiency appropriation to supplement funding for the management contract of Charlotte Hall Veterans Home.
- The budget overall declines \$930,651, driven mainly by a \$1,070,403 decrease in federal funds.
- General funds increase \$149,821, though that amount is overstated by \$55,683 due to the presence of Budget Restoration Funds in fiscal 2013, a State special fund created by Chapter 1 of the First Special Session of 2012.

Note: Numbers may not sum to total due to rounding.

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Personnel Data

	<u>FY 12 Actual</u>	<u>FY 13 Working</u>	<u>FY 14 Allowance</u>	<u>FY 13-14 Change</u>
Regular Positions	76.00	76.00	76.00	0.00
Contractual FTEs	<u>2.69</u>	<u>2.69</u>	<u>2.69</u>	<u>0.00</u>
Total Personnel	78.69	78.69	78.69	0.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	2.87	3.77%
Positions and Percentage Vacant as of 12/31/12	5.00	6.58%

- As of December 31, 2012, the Maryland Department of Veterans Affairs (MDVA) had 5.0 regular positions vacant, and a turnover rate budgeted for 2.9 positions to be vacant throughout the year.

Analysis in Brief

Major Trends

Service to Maryland's Veterans: MDVA's service program provides information, guidance, and assistance to veterans, their dependents, and survivors in applying for and obtaining federal, State, and local benefits granted by law. The number of benefits claims grew between fiscal 2006 and 2012 even as the veteran population steadily declined. However, there are reports of long waits for federal benefits. **The Secretary should comment on whether there is a backlog in providing State benefits and on how MDVA assists Maryland's veterans in receiving federal benefits that they are owed.**

Charlotte Hall Veterans Home: Charlotte Hall Veterans Home is a State-operated veterans' home located in St. Mary's County. The agency's goal for the home is to have the home's quality of life indicators exceed those for the State average, and data suggests that this goal is being met. The rate of pressure ulcers for those who are at risk of developing an ulcer, and the percentage of residents immunized against influenza, outperform the State average.

Issues

Closeout Audit Finds \$1.4 Million in Unsubstantiated Federal Funds: The fiscal 2012 closeout audit found that MDVA had recorded \$1.4 million in federal funds for which it could not provide documentation. The agency explained that the funding was related to two capital projects from fiscal 1999 and 2000 and that the spending authorization should be cancelled. **MDVA should comment on the cancellation of funds that are cited in the Office of Legislative Audit's fiscal 2012 closeout audit.**

Recommended Actions

1. Concur with Governor's allowance.

D55P00 – Department of Veterans Affairs

D55P00
Department of Veterans Affairs

Operating Budget Analysis

Program Description

The Maryland Department of Veterans Affairs (MDVA) provides a variety of administrative, outreach, and support services to the State's veterans, their families, dependents, and survivors. The department also manages veterans' cemeteries, maintains three veterans' war memorials in cooperation with local jurisdictions, and operates and manages Charlotte Hall Veterans Home (CHVH) in St. Mary's County. The department's goals are to:

- aid veterans in the preparation of claims for benefits to which they are entitled, such as service-connected disability compensation, educational assistance, home loans, death benefits, and medical care;
- operate and maintain the five veterans' cemeteries to provide interment for eligible Maryland veterans and their dependents;
- provide upkeep and maintenance for Maryland's war memorials;
- provide and operate the State's veterans' home at CHVH for Maryland veterans who are unable to take care of themselves due to disability, advancing age, or who are in need of nursing home care; and
- coordinate outreach and advocacy efforts to inform veterans, their dependents, and survivors of their benefits and entitlements granted by law.

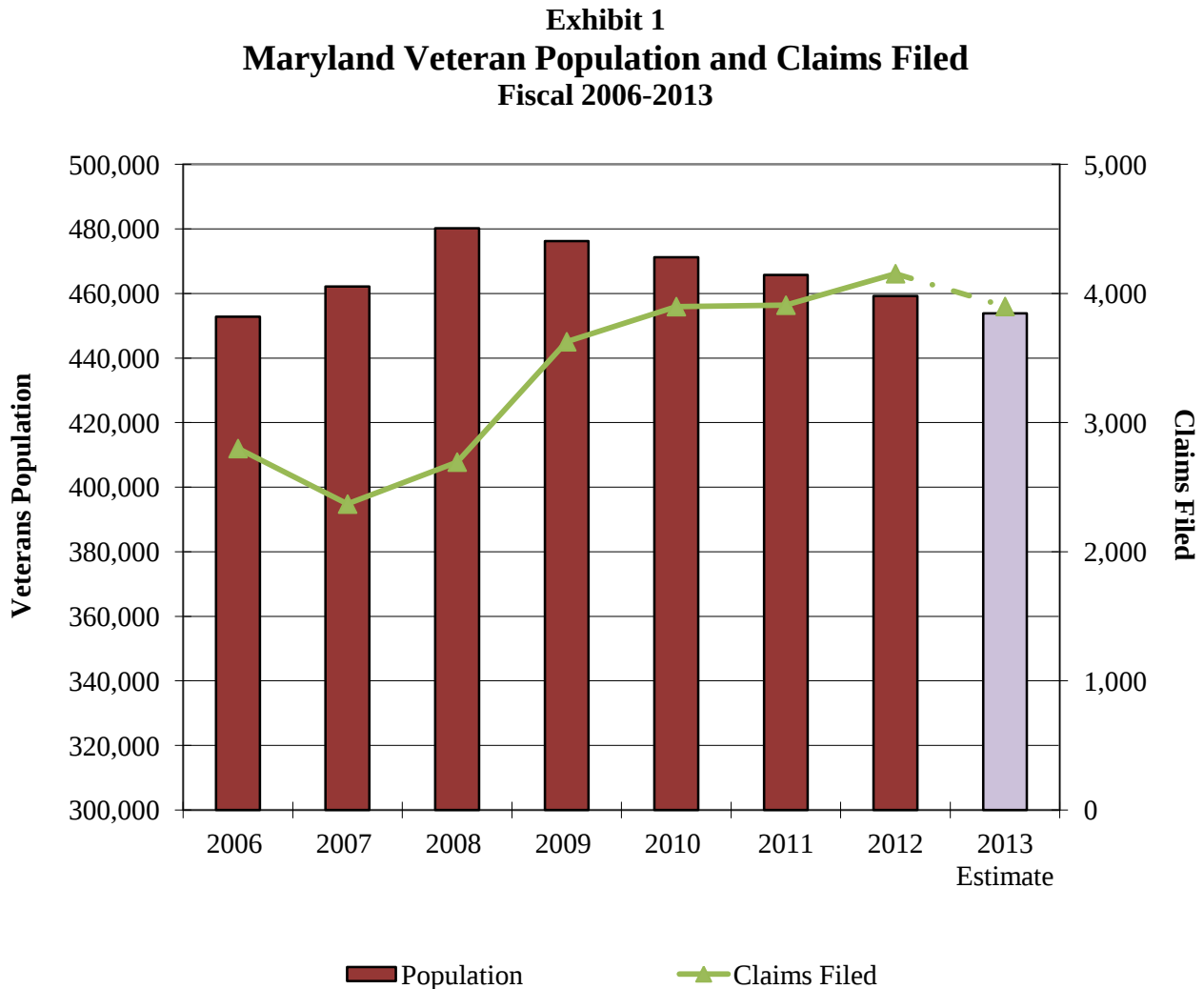
Performance Analysis: Managing for Results

The Managing for Results submission for MDVA tracks performance measures for all aspects of the department's mission. Below are measures for two of the most important functions: service to Maryland's veterans and the wellbeing of residents at CHVH.

1. Service to Maryland's Veterans

MDVA's Service Program provides information, guidance, and assistance to veterans, their dependents, and survivors in applying for and obtaining federal, State, and local benefits and entitlements granted by law. These benefits include disability compensation, pension, death benefits,

educational assistance, home loans, and medical care. As shown in **Exhibit 1**, Maryland's veteran population has declined steadily since fiscal 2008, following the return of those who served in Operation Enduring Freedom and Operation Iraqi Freedom. Maryland's veteran population numbered 459,198 in fiscal 2012, and declines are expected to continue in the future.



Source: Governor's Budget Books, Fiscal 2010-2014

Although the population has fallen, the number of claims filed by them or on their behalf has increased, especially in the years between fiscal 2007 and 2010. After remaining flat for a year, the number increased another 6.2% in fiscal 2012. The agency attributes this to the opening of new service centers throughout Maryland and additional staffing. There are currently nine veterans' service centers in the State. MDVA is expecting a small decline in claims filed in fiscal 2013. Recent media reports have noted a long backlog in veterans receiving benefits from the

U.S. Department of Veterans Affairs (USDVA). **The Secretary should comment on whether there is a backlog in providing State benefits and on how MDVA assists Maryland’s veterans in receiving federal benefits that they are owed.**

2. Charlotte Hall Veterans Home

CHVH, opened in 1985, is a State-operated long-term healthcare facility located on 126 acres in St. Mary’s County. Clinical care and health care management at CHVH is provided by a private contractor but overseen by the director and other MDVA staff. CHVH currently has 454 beds designated for assisted living and skilled nursing long-term care for Maryland veterans and eligible spouses who are unable to take care of themselves due to age or disability. The home provides support and services required for shelter, sustenance, medical care, and the social services necessary to maintain residents’ quality of life. While CHVH is open to both men and women, the majority of residents are male.

The agency’s goal for the home is to have indicators of resident quality of life to exceed those of the State’s average for long-term care facilities. **Exhibit 2** shows two of the rates tracked in its Managing for Results submission: rate of pressure ulcers for residents whom are deemed a high risk for pressure ulcers and the percent of residents immunized against influenza. Though it should be noted that it is difficult to directly compare different retirement and nursing facilities due to differences in resident populations, the exhibit shows that CHVH out performs the State average for both measures, indicating a higher quality of life than other long-term care facilities. Data prior to fiscal 2012 is not available due to a change in reporting method.

Exhibit 2
Quality of Life Indicators
Charlotte Hall Veterans Home and State Average
Fiscal 2012-2014

	<u>2012</u>	<u>2013 Est.</u>	<u>2014 Est.</u>
High risk patients with pressure ulcers			
Charlotte Hall Veterans Home	7.1%	7.0%	6.9%
State average	8.4%	8.3%	8.2%
Residents given influenza vaccination			
Charlotte Hall Veterans Home	91.2%	92.0%	92.5%
State average	77.8%	78.0%	78.0%

Source: Maryland Department of Veterans Affairs; Governor’s Budget Books, Fiscal 2014

Fiscal 2013 Actions

Proposed Deficiency

The Governor's allowance includes a \$540,000 deficiency appropriation to supplement payments to the CHVH medical services provider's monthly management fee. The value of the management fee is based on the home's population, and a higher population results in a lower management fee. The fiscal 2013 budget assumed a resident census high enough to reach a lower monthly fee (425), and the budget declined by \$446,887. However, the home was unable to achieve that census level, and a deficiency appropriation is required to cover the difference.

Exhibit 3 shows the veterans home monthly population since fiscal 2011. Also shown is the threshold upon which the budget decrease was based, 425 residents. The exhibit shows the home has approached that level a couple times but has never exceeded it, and it is likely that another deficiency will be required for fiscal 2014. **The department should comment on the CHVH resident population and whether the home can attain a census level above 425.**

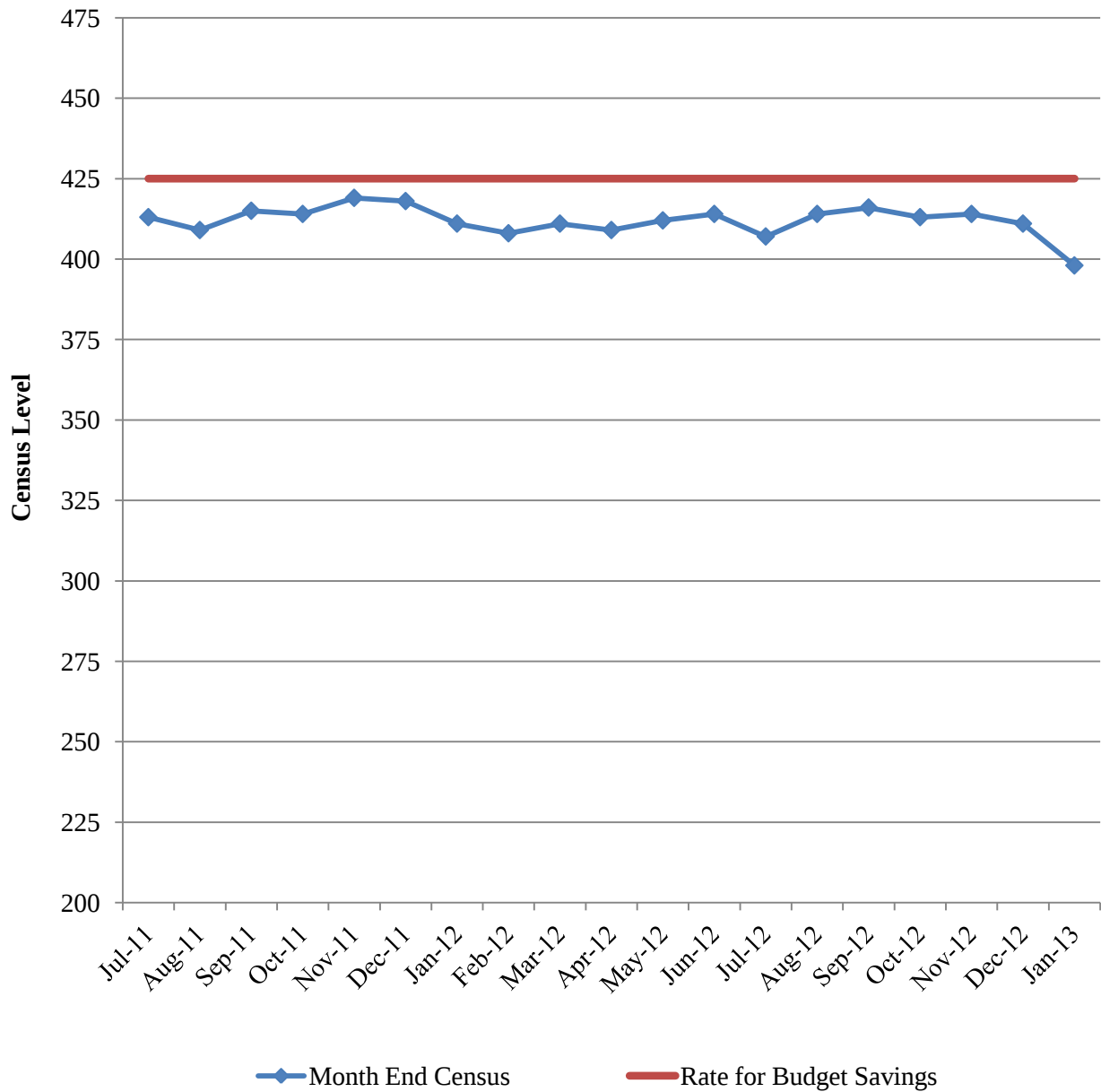
An additional fiscal 2013 action was the result of Section 25 of Chapter 1 of the First Special Session of 2012 (the Budget Reconciliation and Financing Act of 2012) requiring the Governor to abolish at least 100 vacant positions as of January 1, 2013, saving at least \$6.0 million in general funds. Though there were no positions abolished, the agency did receive an \$11,110 general fund reduction.

Proposed Budget

The Governor's allowance for MDVA decreases spending by \$0.9 million, lead by a \$1.1 million decline in federal funds. **Exhibit 4** shows that general funds somewhat offset that amount by \$0.2 million.

The biggest agencywide changes are under personnel expenses. An increase of \$78,270 is due to higher employee retirement contributions for regular employees. The rate increases are attributable to underattaining investment returns, adjusting actuarial assumptions, and increasing the reinvestment of savings achieved in the 2011 pension reform. Employee and retiree health insurance costs increase \$56,660, and an annualization of the fiscal 2013 employee cost-of-living adjustment (COLA) increases spending by \$36,622. The largest decrease in personnel expenses was to workers' compensation costs, which declined \$35,418.

Exhibit 3
Charlotte Hall Veterans Home Daily Population
July 2011-January 2013



Source: Maryland Department of Veterans Affairs

Exhibit 4
Proposed Budget
Department of Veterans Affairs
(\$ in Thousands)

How Much It Grows:	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Total</u>
2013 Working Appropriation	\$6,731	\$806	\$14,555	\$22,092
2014 Allowance	<u>6,886</u>	<u>796</u>	<u>13,486</u>	<u>21,169</u>
Amount Change	\$155	-\$10	-\$1,069	-\$923
Percent Change	2.3%	-1.2%	-7.3%	-4.2%
Contingent Reductions	-\$6	\$0	-\$1	-\$7
Adjusted Change	\$150	-\$10	-\$1,070	-\$931
Adjusted Percent Change	2.2%	-1.2%	-7.4%	-4.2%

Where It Goes:**Personnel Expenses**

Employee retirement.....	\$78
Employee and retiree health insurance	57
Annualization of fiscal 2013 employee cost-of-living adjustment	37
Other fringe benefit adjustments	1
Decline in regular salaries	-6
Turnover	-14
Workers' compensation	-35

Charlotte Hall Veterans Home

Maryland Environmental Service spending on water treatment and tower	47
Electricity.....	12
Building maintenance, repairs, and equipment.....	-153
U.S. Department of Veterans Affairs records database	-178
Reduced discretionary spending due to lower federal per diem payments.....	-247
Payments to medical services provider.....	-548

Other Changes

Funds to maintain the Baltimore City War Memorial	34
Employee payments for Cheltenham Veterans Cemetery office assistant	27
Reduced postage expenses.....	-7

Where It Goes:

Reduced printing expenses	-12
Other	-23
Total	-\$931

Note: Numbers may not sum to total due to rounding.

Charlotte Hall Veterans Home

The largest changes within MDVA occur within the CHVH budget. An increase in general funds of \$46,839 is for spending related to a Maryland Environmental Service project concerning water treatment and a water tower at CHVH. The other major changes are reductions as a result of a decline in federal funds. There is a \$548,214 reduction in money budgeted for the medical services provider and a \$178,000 reduction to discretionary spending at CHVH. Support for building and grounds repairs and deferred maintenance declines \$153,176, and funds to create a USDVA medical records database decreases \$178,000 in the allowance.

Federal support for CHVH is calculated by a per diem rate based on the home's census. The fiscal 2013 budget assumed a census gradually growing from 428 in July 2012 to 438 in June 2013, and federal per diem payments totaling \$13.6 million. Exhibit 3 shows that the home did not achieve that census level, and between \$1.0 million and \$2.0 million will likely be cancelled as at the end of the year as a result. The fiscal 2014 allowance assumes an average population 417 and per diem payments more aligned with that census level.

Issues

1. Closeout Audit Finds \$1.4 Million in Unsubstantiated Federal Funds

The fiscal 2012 Office of Legislative Audits' (OLA) closeout audit contained a finding for MDVA regarding accrued federal fund revenues. The audit states that \$1.4 million was recorded to eliminate deficit balances that existed in the MDVA budget, but that neither MDVA nor the General Accounting Division (GAD) could provide documentation showing that the \$1.4 million would actually be received. According to GAD, these deficits resulted from federal fund expenditures incurred in prior years.

The agency explained that the accrued federal funds were from federally supported capital projects for CHVH and a veteran's cemetery dating to fiscal 1999 and 2000. Both projects received a capital authorization that was higher than the projects' final cost, and that difference has been carried forward as an accrued liability. MDVA reports that the funds should be cancelled by GAD, but that it has not yet occurred. **MDVA should comment on the cancellation of funds that are cited in OLA's fiscal 2012 closeout audit.**

Recommended Actions

1. Concur with Governor's allowance.

Current and Prior Year Budgets

Current and Prior Year Budgets Department of Veterans Affairs (\$ in Thousands)

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2012					
Legislative Appropriation	\$7,769	\$871	\$13,196	\$0	\$21,837
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	58	2	1	0	62
Reversions and Cancellations	0	-163	-1,694	0	-1,856
Actual Expenditures	\$7,827	\$711	\$11,503	\$0	\$20,042
Fiscal 2013					
Legislative Appropriation	\$6,731	\$788	\$14,548	\$0	\$22,067
Budget Amendments	0	18	7	0	25
Working Appropriation	\$6,731	\$806	\$14,555	\$0	\$22,092

Note: Numbers may not sum to total due to rounding.

Fiscal 2012

A one-time \$750 employee bonus added to \$55,683 in general funds, \$2,421 in special funds, and \$807 in federal funds. An additional \$2,639 in general funds was the result of a realignment of telecommunications spending between executive agencies.

Unspent special funds either reverted to a fund balance or were cancelled. Gifts for CHVH totaled \$44,317 and reverted to the house's specific fund balance. Similarly, \$13,596 reverted to the Maryland Veterans Trust Fund. Finally, \$104,671 in unrealized cemetery revenue was cancelled. The federal fund cancellation of \$1.7 million is due to lower than budgeted per diem payments for CHVH.

Fiscal 2013

The fiscal 2013 legislative appropriation increased as a result of a 2% employee COLA. The agency received \$17,844 in special funds and \$6,935 in federal funds for this purpose. Although most employee salaries are funded with general funds, the source of their COLA payments was the Budget Restoration Fund, a special fund.

**Object/Fund Difference Report
Department of Veterans Affairs**

<u>Object/Fund</u>	<u>FY 12 Actual</u>	<u>FY 13 Working Appropriation</u>	<u>FY 14 Allowance</u>	<u>FY 13 - FY 14 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	76.00	76.00	76.00	0.00	0%
02 Contractual	2.69	2.69	2.69	0.00	0%
Total Positions	78.69	78.69	78.69	0.00	0%
Objects					
01 Salaries and Wages	\$ 4,378,559	\$ 4,413,697	\$ 4,537,920	\$ 124,223	2.8%
02 Technical and Spec. Fees	93,165	89,831	113,939	24,108	26.8%
03 Communication	43,141	71,649	61,448	-10,201	-14.2%
04 Travel	47,171	45,226	51,200	5,974	13.2%
06 Fuel and Utilities	582,128	549,182	607,056	57,874	10.5%
07 Motor Vehicles	348,522	115,989	111,709	-4,280	-3.7%
08 Contractual Services	14,086,924	15,466,158	14,474,904	-991,254	-6.4%
09 Supplies and Materials	204,918	330,393	245,693	-84,700	-25.6%
10 Equipment – Replacement	47,725	154,573	153,273	-1,300	-0.8%
11 Equipment – Additional	0	275,500	225,200	-50,300	-18.3%
12 Grants, Subsidies, and Contributions	148,242	256,500	290,982	34,482	13.4%
13 Fixed Charges	55,038	61,831	72,317	10,486	17.0%
14 Land and Structures	6,407	261,522	223,000	-38,522	-14.7%
Total Objects	\$ 20,041,940	\$ 22,092,051	\$ 21,168,641	-\$ 923,410	-4.2%
Funds					
01 General Fund	\$ 7,827,299	\$ 6,730,848	\$ 6,886,332	\$ 155,484	2.3%
03 Special Fund	711,270	805,900	796,130	-9,770	-1.2%
05 Federal Fund	11,503,371	14,555,303	13,486,179	-1,069,124	-7.3%
Total Funds	\$ 20,041,940	\$ 22,092,051	\$ 21,168,641	-\$ 923,410	-4.2%

Note: The fiscal 2013 appropriation does not include deficiencies. The fiscal 2014 allowance does not include contingent reductions.

**Fiscal Summary
Department of Veterans Affairs**

<u>Program/Unit</u>	<u>FY 12 Actual</u>	<u>FY 13 Wrk Approp</u>	<u>FY 14 Allowance</u>	<u>Change</u>	<u>FY 13 - FY 14 % Change</u>
01 Service Program	\$ 1,121,426	\$ 1,096,340	\$ 1,067,308	-\$ 29,032	-2.6%
02 Cemetery Program	3,644,630	3,693,634	3,777,075	83,441	2.3%
03 Memorials and Monuments Program	370,389	369,773	408,832	39,059	10.6%
05 Veterans Home Program	13,760,912	15,700,613	14,619,223	-1,081,390	-6.9%
08 Executive Direction	962,103	1,041,061	1,112,365	71,304	6.8%
11 Outreach and Advocacy	182,480	190,630	183,838	-6,792	-3.6%
Total Expenditures	\$ 20,041,940	\$ 22,092,051	\$ 21,168,641	-\$ 923,410	-4.2%
General Fund	\$ 7,827,299	\$ 6,730,848	\$ 6,886,332	\$ 155,484	2.3%
Special Fund	711,270	805,900	796,130	-9,770	-1.2%
Federal Fund	11,503,371	14,555,303	13,486,179	-1,069,124	-7.3%
Total Appropriations	\$ 20,041,940	\$ 22,092,051	\$ 21,168,641	-\$ 923,410	-4.2%

Note: The fiscal 2013 appropriation does not include deficiencies. The fiscal 2014 allowance does not include contingent reductions.